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## TRANSPORTATION, TRADE POLICY AND THE WAR<sup>1</sup>

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**T**O stop the enemies' communications and to develop commercial freedom, accessibility and opportunity for all international-law-abiding peoples—that has become the federated policy of the world. The league to enforce peace has been inaugurated by the Allies and acquiesced in by the neutrals, and its consequences are daily becoming more apparent. That league is the league of the armies and navies of the Allied nations that are fighting Germany. The Central Empires are being shut in tighter, economic pressure supplementing military force. Their undersea assault upon the world's commerce is becoming less menacing, and what the armies and navies of the Allies may not quickly accomplish will in the end surely be achieved by the continued exclusion of the Central Powers from the sea, from markets and from sources of supplies. The whole world is organizing to resist German autocratic aggression, because it cannot continue part free and part autocratic, not even within Germany itself. The war will go on till this issue shall be settled. Any compromise can result only in a truce, after which the struggle will be renewed, since improved communications have made the world too small to tolerate these two antagonistic ideals of government.

It is the virtual shrinkage of the world, brought about by improved transportation, that is primarily responsible for this war. There are many proximate causes for the war, but the fundamental cause, as I see it, is that improved transportation has made it difficult for nations to live together unless they do so in a co-operative way. The old assertion of individuality, of national sovereignty, has been outgrown. Until we get away from that idea we shall be threatened by war.

National sovereignty and international anarchy are interchangeable terms. The nations have come to occupy about the same relative position in the world that the citizens in each nation

<sup>1</sup> Address at the meeting of the Academy of Political Science, December 14, 1917.

did, within that nation, before the war. When any national overstepped the law he was liable to be shut up in prison. When any nation in future oversteps international law the remedy to be applied by the league for the enforcement of peace will be the power to close the seas to that nation. That is virtually what is being done to Germany now, and Germany will lose this war because she is shut out from the rest of the world.

The Germans are the most powerful ethnic group among the nations. Feudalism, capitalism and socialism, which elsewhere are antagonistic, have under the influence of an intense German nationalism been fused into the most effective co-operative organization that the world has known—co-operative within, ruthlessly aggressive without. There can be no security for the world till the German will to dominate shall give place to willingness to co-operate as merely human men and women with the rest of us. Our losses will be minimized and the war will be shortened, if we can succeed in dividing public opinion in Germany and if we can quickly open up the world's resources to the Allies and keep them closed to Germany.

The world's shipping is beginning to be administered under international control and is being co-ordinated with the railroad and storage facilities of our allies and the neutrals. Railroads and terminals within the United States are also being co-ordinated and administered as a great national business unit, with an efficiency never before attained. The war in itself, aside from its political ends, is effecting a stupendous change for the better in our heretofore ineffectual, unrelated transport systems. Already, under the direction of the federal government and the patriotic and intelligent supervision of their own ablest officials, the railways of the country are being operated as one system, to the immense advantage of themselves and the country at large.

The great difficulty to overcome in the United States, in reorganizing our transportation system, is the law and the customs which have governed that system. The Interstate Commerce Commission took hold of the railroad situation a number of years ago, and treated it on the basis of competitive operation by the separate railroads, attempting to maintain competition between the roads; that idea of enforcing competition runs all through the court decisions, and underlies the fundamental law of the land on which those decisions are based. Competition must be maintained; that has been the rule.

What are we doing now? We have thrown all that aside. It has become evident that in order to meet war conditions, co-operation must take the place of competition. First of all, we established a loosely knit system of co-operation among the railroads, largely voluntary, patriotic and effective. An immense economy in the use of railroad equipment and roadbed has been effected by that.

But experience has demonstrated that is not enough, and one step after another in addition has been taken; and now we are apparently about to take the final step, which has already been taken in England, of actually consolidating under federal supervision the entire railroad system of the country and operating it as a single unit, obtaining the advantages of unity in administration, and in use of terminals, roadbed and all facilities.

One of the greatest difficulties confronting the railroads is that the cities and the states, with the exception of Louisiana and California, have done very little for them in the way of terminal organization at seaport terminals. The railroads have been left to provide their own terminals in their own way; some of them have been much more enterprising than others in this particular, and have much larger investments, which they are of course in duty bound to protect for their stockholders. At New York city, roads like the New York Central and the Pennsylvania have terminal facilities incomparably better than those, for instance, of the Erie, because they have had the money to spend and because they have been enterprising.

Modern port organization means connecting terminal roads together in such a way that all the terminals are used interchangeably. That is what the government is now proposing to do. Of course, that places all the roads on a parity of opportunity; those roads that have large investments in terminals will give up those advantages to their former competitors who have insufficient terminals. This is unfair, and in some way the roads which have the better terminals must be compensated for pooling those terminals, so to speak, and giving the less fortunate roads the opportunity to use them. This result has been difficult to attain on account of the law and the decisions of the Interstate Commerce Commission. Now it will be possible to pool terminals, because the federal government intends to do so, law or no law, here in New York city.

After terminals are pooled it will be necessary to pool freight, because there will be no more competition, and the freight will have to be divided on some prearranged basis of pooling. In other words, we are throwing to the winds all the old antiquated attempts to keep competition alive and we are endeavoring under the direct influence of the president himself, to substitute co-operation for competition. Co-operation and competition cannot go on together, and the government, in addition to publicity and supervision, must soon revise its present policy and permit the roads to pool their terminals, their equipment and their freight.

You have heard a great deal about the necessity for railroad rate increases, in order to find the revenue necessary to make improvements and continue railroading as it should be under the increased strain put upon it; and there have been intimations of a moderate increase in rates. Some increases have been made. Any increase that is likely to be made, so long as the railroads are owned as private enterprises, will in my judgment be utterly inadequate to meet the advancing charges placed upon them, due to increased costs and increased amount of business being done. Is it not probable that in the future, as in the past, the roads must continue to look to increased efficiency, rather than too exclusively to increased pay for services? For the past ten years they have kept themselves solvent by improving roadbed, equipment and service. Will not the principal opportunity of the next decade be found in service integration and administrative co-operation, rather than in much higher freight rates? When government ownership arrives, there will not be the same opposition to higher freight rates.

The railroads deserve more consideration than they have had in this period of increasing costs, but the best thing the government can do for them is to help them unite and help themselves, instead of keeping them apart, leaving each road to meet its peak load with its own limited resources. I venture the prediction that our present war-time integration of service will not be pulled apart after the war is over, but that these processes of physical co-ordination and administrative unity will be continued.

It is interesting and profitable for America to study English precedents, and usually to follow them. The English roads were private enterprises under government control. As soon as the war broke out, these roads, on a prearranged understanding, were

immediately taken over and operated as one great transportation enterprise by the British government, just as President Wilson is proposing to do with our roads now. The change was made without jar, and one of the most admirable facts in British war organization has been the administration of the railroad system during the war period. The troops were at once sent over to France. Supplies have followed regularly. The roads have been administered economically. The government has guaranteed a certain minimum of earnings to the stockholders. The change has come about without friction, to the immense economic advantage of the country, not only for war purposes, but for peace purposes afterwards. There is no likelihood, I am informed, of the roads ever being subjected to disintegration after the war is over.

International control of the mercantile marine of the world is rapidly developing under the urgency of the war. The Allies have begun to pool their ships and port facilities, and circumstances are compelling the neutral nations to co-operate with them against Germany, since there is no German commerce. The question will soon arise, how far such international control of ocean transportation will go, and how permanent it will become. When we recall to what an unwarranted extent irresponsible private shipping pools have in former years either fixed or influenced the values of our exports and imports, the query arises whether the present war-time policy should not be continued when peace comes. To my mind, international control, at least over North Atlantic commerce, will be a natural sequence of the war, because it will be in the economic interest of the peoples of Europe and North America, and because it will afford the means, or at least one means, of curbing unfair national exploitation policies in the future.

A great deal could be said on that point, but I simply wish to emphasize the importance of considering the desirability of maintaining the ships, as well as the railroads, under national control, after the war is over. The railroads control the ships, because they bring the freight to the ships, and with the immense investment that the United States will have in shipping after the war is over, it is vital that there should be substituted some policy of international control, at least over North Atlantic commerce, for the chaotic, reckless competition—a competition perhaps the most bitter and the most provocative of international differences, of any competition in the world—that competition which exists

between the ships of different nationals, plying between the great seaports on both sides of the North Atlantic.

Whatever our wishes may be, it is inevitable that trade after the war will assume national characteristics everywhere. This is another way of saying that states will hereafter foster the co-operative efforts of their nationals to secure markets and supplies, to an extent heretofore not thought possible. Great danger and great promise will attend the development of these processes, and it is essential that our railroad and ocean shipping policies should be wisely and promptly decided upon.

The war co-operation which already exists, and which is rapidly becoming industrial and commercial as well as belligerent, should, without delay, be consolidated and expanded among our allies and with neutrals, with the expectation of making it permanent. That, I think, is the practical way to strengthen the league to enforce peace, which is already in operation. It is not the legalistic evidence of coherent organization so much as continuous adaptation of existing conditions to permanent peace needs that is important. The president with admirable diplomacy has prepared the way for this in his letter to the Pope and in the last three paragraphs of his recent address to Congress.

I now pass to the consideration of an entirely different set of problems, for which I ask your very careful attention, because I think that they have not received the attention that they merit. In the wider field of world policies, is it an exaggeration to say that the desire for commercial privilege and for freedom from commercial restraint are the two primary causes of war, which world-wide freedom of commercial opportunity will go far to eradicate?

Within recent years, world conditions have fundamentally changed. Steam and electricity have made the world smaller, and its peoples closer neighbors, and have thus intensified both their sympathies and their antagonisms. The inter-dependence of nations is demonstrated by the present war. The extent to which credit, transportation and exchange have been paralyzed and business everywhere has been dislocated, shows the world to be more essentially a unit than was any considerable state only a short while ago. Commercial relations promote international good-will. The one great obstacle to this tendency is the method by which industrial competition between the peoples of different states has been carried on. Each state has attempted to secure

exclusive privileges for its citizens, instead of insisting upon world-wide equality of opportunity—the open door.

“Peace will never endure unless founded on justice, and fundamental justice is justice in economic relations.” Thus speaks Henri Lambert, a prominent Belgian senator, and I believe that his statement contains the gist of the wisdom necessary to avoid future wars. But there are different degrees and kinds of restrictions upon trade, that is, restrictions upon justice, which will gradually be abolished.

First, there is the restriction of tariffs imposed by nations upon themselves; that is protectionism. Under existing circumstances, it must be left to the intelligent self-interest of the masses and the solvent influences of commerce slowly to overcome the delusions and the selfish private interests on which this obstruction is based. That development cannot be forced, but each nation must be left to progress as rapidly as it can in the development of freedom of exchange. There should be the same freedom of exchange for commodities that there is for thoughts and sentiments between peoples.

Second, there are restrictions upon the uses for international commerce of the terminal and land transfer facilities of the great trade routes and seaports of the world. A few such ports command entrance to and exit from vast continental hinterlands. It is vital to these interior regions that their natural communications with the outside world should be kept widely open, and this is equally vital to the rest of the world. Obstructive control of such ports and routes, to the detriment of the world's commerce, cannot and should not be tolerated by states whose interests are adversely affected.

Rotterdam and Antwerp are the North Sea ports which naturally serve the trade of Central Europe, including that of Eastern France, Germany, Austria, Switzerland and Russia; and the service of these ports, or at least that of the best equipped free-port districts within them, as well as that of bonded railroads between them and interior countries, should be extended and guaranteed. And it should also be guaranteed to Germany after the war is over, for she, as well as the rest of the world, will come into the community of nations; and Rotterdam and Antwerp, together with Bremen and Hamburg, are her principal outlets.

The public opinion of the world should seek to bring about similar freedom of international exchange at Adriatic, Ægean and



China ports and the ports of the lower Danube. The ports of the lower Danube were administered until the beginning of the war, under a system of international control, and that should be re-established and strengthened. It had grown weak when the war began.

In order to avoid future complications, Constantinople and the overland route from Central Europe through it to the Orient should be specifically internationalized. If Germany could be assured of permanency of access and equality of opportunities along that route, one of the great difficulties menacing the future peace would be avoided. I cannot myself see how there can be the assurance of permanent peace with that route in dispute between the nations. That route must be internationalized if any trade route is to be internationalized, just as the navigation of the oceans to which I shall refer in a moment should be internationalized. The high seas and the overland route between Central Europe and India, must be made public and subject to common use, and I do not see how this can be done except by internationalizing them.

The Panama Canal ports, affected as they are with an international use, should be the first American ports adapted to this advance toward a free-trade policy. Through the influence of President Wilson the Panama Canal itself is now operated under conditions of equality for all. That is an honorable precedent which has already been established, and for which you will remember the President of the United States was severely criticized at the time by the reactionary sentiment of the country.

Third, there are restrictions upon opportunities to trade with territories ruled as colonies. You are familiar with the reasons for doing away with such restrictions. The backward countries of the world should be regarded as the world's commons, and there should be equality of opportunity there for all.

Finally, neutral trade has been circumscribed, and the sea has necessarily been closed to Germany during the war by the league for the enforcement of permanent peace; that is, by the navies of our allies and ourselves. Must not the civilized world agree that hereafter the freedom of the seas shall be restricted to international-law-abiding peoples? Outlaw nations, such as Germany is at this time, must be interned until they subject their sovereignty to the common will, since national sovereignty and international anarchy are interchangeable terms.

Panama, Suez, Gibraltar, the Dardanelles, Kiel, the Sault, the Belt, the English Channel and less important straits may well be considered as the world's international highways, through which commercial passage shall always be maintained on equal terms for the ships of all nations conforming to international law and order. That is a fundamental requirement if we are to have peace in the future. That should be the guarantee offered by the league for the enforcement of peace.

It is essential that public opinion throughout the world should make that one thing clear to the German people, and we have failed throughout, in England, in France and in the United States, to make that thing clear; we have been so bent on the war itself, with such bulldog concentration upon war issues, war economies, war efficiencies, that we have failed to use our other weapon—the wise diplomacy of President Wilson as set forth in his letter to the Pope and in his last message to Congress—to disintegrate public opinion in Germany. Neither mistaken diplomacy nor mistaken military finesse should longer restrain the American people from energetically supporting President Wilson's statement that the German people are invited to join an international federation of the principal nations of the world; provided they shall co-operate and help assure the world's security by substituting popular government for irresponsible autocratic government, and by substituting international law for absolute national sovereignty.

There can be no tolerable alternative for Germany or the rest of us. She must either seek to become an integral part of a civilized world federation or remain excommunicated under the tutelage of a feudal government for conquest, which will continue to be a perpetual conspiracy against the security and peace of the world, and which for their self-preservation other nations must necessarily resist by force of arms and economic exclusion. If the world can be brought to recognize the inevitableness of this conclusion, then I think public opinion in the enemy countries will gradually coincide with public opinion in the rest of the world, because there can be no peace until that issue shall have been definitely settled.

The war has demonstrated that international control of the sea is the only way to limit irresponsible national sovereignty on land.